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SUBJECT: **DRAFT STATE TRANSPORTATION REVENUE PACKAGE INTEREST STATEMENT**

STAFF CONTACT: Joyce Nichols, Interim Director of Intergovernmental Relations, CMO, 452-4225; Kim Becklund, Transportation Policy Advisor, 452-4491

POLICY ISSUE: The City of Bellevue plays an active role in promoting local and regional transportation solutions that are multimodal, keep pace with emerging land uses, promote economic development, and, at the same time, preserve and protect Bellevue's neighborhoods. City-wide surveys consistently show that traffic congestion and transportation are the most often mentioned problems facing Bellevue.

**DIRECTION
NEEDED FROM
COUNCIL:**

A number of groups continue informal discussions about the need for new state and local transportation revenue. Bellevue needs to engage in these discussions now and advocate for its priorities to ensure that the funding sources chosen for a transportation revenue package deliver tangible benefits that reduce traffic congestion and improve mobility in the City and the region.

At the September 24 meeting, Council began a discussion concerning a state revenue package that could be enacted by the State Legislature in 2013. In response to a Council request, staff provided a draft interest statement at the October 22 Council meeting. The interest statement is intended to convey the City's principles and interests in a new state transportation revenue package. Council comments have been incorporated into the revised draft (included as Attachment A). At the November 26 meeting, Council will have an opportunity to review the revised draft and provide direction to staff.

BACKGROUND:

The October 22 Council packet included background on the following items: the City's transportation policy objectives; past achievements in advocating for new funding for projects to keep pace with growth and mobility demands; current challenges in securing new transportation revenue from the state; and a summary of the preliminary discussions and potential revenue tools that could be included in a new state transportation revenue package. A copy of the October 22 briefing memo is attached (Attachment B).

The results of the November 6 elections have created a sea change in the transportation landscape in the State Legislature with the defeat of Senators Haugen and Swecker, and

Representative Armstrong. These individuals have long been effective advocates for transportation funding and local transportation options. As of this writing, the legislative caucuses are sorting out new leadership and it is unknown who will step into the leadership position on the Senate Transportation Committee. The impact of the departure of such strong advocates for new transportation revenue on the development of a new state transportation revenue package is unknown at this time. Representative Judy Clibborn will continue as House Transportation Committee Chair and is working to develop a revenue package.

NEXT STEPS: Staff is seeking Council comment and direction on the Revised Draft State Transportation Revenue Package Interest Statement and feedback regarding various revenue options currently under discussion.

ALTERNATIVES:

NA

RECOMMENDATIONS:

NA

ATTACHMENTS:

- (A) Revised Draft State Transportation Revenue Package Interest Statement
- (B) October 22, 2012 Update on Discussions on a Potential State Transportation Revenue Package & Draft Interest Statement

**REVISED DRAFT CITY OF BELLEVUE INTEREST STATEMENT:
STATE TRANSPORTATION REVENUE PACKAGE**

November 26, 2012

Reducing traffic congestion and improving mobility are critical to growing Bellevue's local and regional economic base. The City of Bellevue urges the State Legislature to address these problems in 2013 through a robust, State-enacted package of new revenue for transportation.

State Investments Needed for State Highways, Local Roads and Transit

- **Complete the projects in the I-405 Master Plan.** To address immediate needs, Bellevue urges the State Legislature to increase the State gas tax in an amount sufficient to make significant progress toward completing the I-405 Master Plan. Progress on expansion of I-405 from Bellevue to Renton, coupled with a commitment to explore the use of new federal Transportation Infrastructure Finance Innovation Act (TIFIA) funds to complete a major portion of the I-405/SR 167 expansion program are critical to the region's continued economic vitality.
- **Keep pace with growth and new development.** Bellevue supports the use of State gas tax revenue to focus investment and leverage other public and private investments. For SR 520, Bellevue urges the Legislature to direct gas tax revenue to complete the interchange at 124th Avenue and SR 520 and to complete the southbound braided ramps at SR 520/I-405.
- **Commitment to provide revenue to address local transportation needs.** Bellevue supports an increase in the State gas tax, with a direct allocation to local governments in recognition of the critical role that local streets play in providing access to and from the State system, and carrying the bulk of traffic near State highways.

Revenue Tools/Expenditure Priorities Needed to Address Needs

- **Smart financing.** To address long-term revenue needs, Bellevue urges the State to utilize the most optimal bonding approach against the revenue from an increase in the State gas tax to keep pace with inflation and rising construction costs. In addition, the State should continue to expand the use of design-build processes that help reduce construction costs, and continue to explore the use of public/private partnerships.
- **Tolling.** Bellevue supports the WSDOT's commitment to maximizing performance and generating additional revenue for the State's major corridors through the use of tolls. The City urges the State to continue to demonstrate where measurable improvement over current conditions on major corridors could be realized through the use of tolls. Improvements in the efficiency of the highway system would benefit all users and should be applied equitably across the region, and would help minimize traffic diversion to local streets as drivers seek to avoid congested corridors.

- The State should provide funding support commensurate with where tolls are collected in recognition of the region's support for tolling facilities. There should be a clear nexus between where tolls are collected and the funding received from State for the corridor.
- Additionally, the State should enforce its cap on expenditures on the Alaskan Way Viaduct project. Finally, any traffic diversion associated with tolling should be minimized and the State should mitigate negative impacts to local streets caused by the implementation of tolls.
- **Increase the amount of the transportation benefit district vehicle license fee.** Bellevue urges the State Legislature to amend the transportation benefit district legislation to allow cities to increase the amount of the vehicle license fee from the current \$20 per year to \$40 per year and allow its enactment via council manic action should cities wish to impose this revenue tool.
- **Electric Vehicle Fee.** Bellevue urges the State Legislature to periodically review and adjust the current Electric Vehicle Fee and align it with the estimated amount of impact to the maintenance and preservation of the system attributed to electric vehicle usage.
- **Use of the motor vehicle excise tax (MVET) for local transportation and/or transit...** In order to ensure Bellevue's transportation system is meeting local demands for service, transit service levels and coverage must keep pace with growth to support sustained economic expansion, especially in areas of intense compact development that requires and attracts strong transit ridership. If Bellevue is to support new MVET to fund transit service, the following requirements must be met:
 - Transit service levels for Underserved Corridors must include those routes served by Sound Transit for the Eastside and Bellevue by modifying Metro's Transit Service Guidelines to better reflect employment densities on the Eastside or another equivalent method; and,
 - King County Metro will commit to work with Bellevue to meet transit demand in accordance with transit service levels proposed in the Service Element of the Bellevue Transit Master Plan.

Item No. 3(f)(1)(i)
October 22, 2012

☐ Action
☒ Discussion
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SUBJECT: UPDATE ON DISCUSSIONS ON A POTENTIAL STATE TRANSPORTATION REVENUE PACKAGE & DRAFT INTEREST STATEMENT

STAFF CONTACT: Joyce Nichols, Interim Director of Intergovernmental Relations, CMO, 452-4225; Kim Becklund, Transportation Policy Advisor, 452-4491

POLICY ISSUE: The City of Bellevue plays an active role in promoting local and regional transportation solutions that are multimodal, keep pace with emerging land uses, promote economic development, and, at the same time, preserve and protect Bellevue's neighborhoods. City-wide surveys consistently show that traffic congestion and transportation are the most often mentioned problems facing Bellevue.

**DIRECTION
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A number of groups are having informal discussions about the need for new state and local transportation revenue. Bellevue needs to engage in these discussions now and advocate for its priorities to ensure that the funding sources chosen for a transportation revenue package deliver tangible benefits that reduce traffic congestion and improve mobility in the City and the region.

At the September 24 meeting, Council began a discussion concerning a state revenue package that could be enacted by the State Legislature in 2013. In response to a Council request, staff is bringing forward a draft interest statement (included as Attachment A) intended to convey the City's interests in a new state transportation revenue package. At the October 22 meeting, Council will have an opportunity to continue its discussion of potential revenue options and provide direction to staff.

BACKGROUND:

Past Achievements

As a major metropolitan center in Central Puget Sound region, Bellevue actively supports strategic regional transportation improvements and investments that complement the growth and development of key activity centers across the City. Bellevue's Regional Mobility Interest Statement, reaffirmed by Council over the last 10 years, calls out three overall policy objectives: (1) Improve mobility on regional transportation corridors serving urban centers; (2) support economic development through regional transportation investments, and, (3) reinforce local and regional land use and transportation plans. Specific investment policies outlined in the Regional Mobility Interest Statement include:

- Advocate for new funding that keeps pace with growth and transportation demands;
- Advocate for high performance corridor and project-level solutions;
- Leverage regional investment through reasonable local investment; and,
- Build upon strong public support for multimodal investments.

Bellevue has been very successful in meeting these policy objectives, including:

- Participating in the corridor planning and helping secure \$1.7 billion for new I-405 improvements directly benefitting Bellevue; e.g., completion of the NE 10th extension over I-405, the south Bellevue widening project, and NE 8th to SR 520 Braided Ramps Project.
- Helping secure over \$500 million in SR 520 mobility improvements serving the Eastside and the region.
- Advocating for and helping secure over \$2 billion in I-90 HOV/bus transit and light rail solutions with construction expected to begin soon.
- Supporting two major public funding packages for local transit and invested millions in City infrastructure improvements to accelerate and augment regional construction, e.g., Access Downtown.

As the City looks to the future with the promise of more intense economic development, new investment in transportation is essential to accomplish Bellevue's economic and livability objectives that will improve mobility and provide greater financial stability to the City, the region and the state.

Current Challenges

- **Growing inadequacy of the state gas tax.** Investments over the last decade in the state's highway system allowed the state to play catch-up after numerous years of little or no investment in its transportation infrastructure. No continuous revenue stream exists now because most of the state's gas tax revenue is dedicated to pay bond debt, leaving the state with significant needs and few resources. Moreover, because the state gas tax is not indexed to inflation it is losing purchasing power over time; and gas tax revenues were impacted during the recession due to reduced traffic volume.
- **Inadequate revenue tools for cities and transit.** Cities receive little revenue from the direct state gas tax distribution and, with no new State revenue dedicated to transportation solutions, cities have had to rely more heavily on General Fund dollars to maintain their existing systems and add new capacity. With the repeal of the Motor Vehicle Excise Tax in 2000 following passage of Initiative 695, local transit agencies are almost exclusively reliant on local sales tax to fund transit operations, and are more heavily reliant on federal resources for capital. As a result of the sustained economic downturn and a significant drop in sales tax revenues, transit agencies have been cutting service, further exacerbating traffic congestion. There is an urgent need for new transportation revenue to deal with traffic congestion and improve mobility.
- **Bellevue's mobility needs.** Bellevue is served by three major freeways, I-405, I-90 and SR 520. According to the Washington State Department of Transportation (WSDOT), commuters on I-405 face some of the worst traffic congestion in the State—up to 10 hours a day in some locations. With a growing employment base and cultural center, downtown Bellevue relies heavily on I-405, with over half the trips on the corridor coming to and from downtown Bellevue. Significant investment is needed to complete the

projects in the I-405 Master Plan from Bellevue south to Renton. In the absence of investments to improve mobility and reduce congestion on this corridor, more trips will continue to spill over on local roads and the societal cost of congestion will hinder the region's economic growth and prosperity.

Bellevue is also dependent on I-90 and SR 520 for cross-lake trips. Currently, vehicle trips are evenly split between the east and the west sides of Lake Washington on the floating bridge. Bellevue is also in a transformative period as it moves from a suburban center to a City with more compact urban development in its downtown center. Resolving Bellevue's traffic congestion will require a mix of thoughtful highway and transit improvements that enhance the City's vitality and importance as a job center that benefits the entire region and the State.

Summary of Preliminary Discussions on a new State Transportation Revenue Package

As noted earlier in this update, there are a number of informal conversations concerning the need for new State and local transportation revenue occurring around the State. A summary of the discussions and possible proposals is included below:

Transportation Revenue Package Being Developed by House Transportation Committee Chair: Rep. Judy Clibborn, who serves as Chair of the House Transportation Committee, is planning to introduce a transportation revenue package in the next few weeks. Details of the proposal have not yet been released. Staff will keep Council apprised of developments as the details of the proposal become public.

Mayors Transportation Forum: This group was convened last December by Seattle Mayor Mike McGinn and Federal Way Mayor Skip Priest to advocate for new revenue to address local and Statewide transportation needs. In advance of the 2012 legislative session, the group, representing 22 mostly larger cities across the State, agreed on a set of funding principles. These principles are consistent with Bellevue's adopted policy guidance. The Legislature made modest but unsuccessful attempts to craft a revenue package in 2012.

The Mayors Forum met in early September and is working to gain support for a new transportation revenue package in the 2013 legislative session. Mayor Lee has attended some of the forum meetings and Bellevue staff is also monitoring the work of the Forum. A preliminary funding proposal was outlined at the September meeting. ***Many of the revenue options discussed by the Mayors Forum are similar to those being discussed by other groups around the State.*** Elements of the proposal include the following:

- **Increase the Statewide gas tax by 8 cents.** This would raise an estimated \$2.56 billion over 10 years. The proposal would split the funding, with 65% (\$1.66 billion) going to the State and 35% (\$896 million) going to local governments. This part of the proposal represents a very modest level of revenue when you consider that the cost of expanding I-405 south of Bellevue through SR 167 is \$1.7 billion. Gas tax is attractive in so far as it is a user fee, a principle supported by Council over the years. However, to fully address major corridors like I-405, the Statewide gas tax level would need to be much higher.
- **Impose a Statewide Motor Vehicle Excise Tax (MVET):** The proposal includes a 1% MVET option that counties could enact for local transportation needs, either by public vote or by councilmanic action. 65% of the MVET revenues would go to counties for transit and roads and 35% would go to cities for maintenance and construction of arterials. This mechanism has the potential to generate \$324 million annually Statewide, though it may not be used by all jurisdictions. In King County, the MVET would generate

about \$75 million for transportation projects per year; \$51 million would go to the County for transit and roads, and \$24 million would go to cities.

From a revenue generation perspective, MVET is attractive given its flexibility to be used for all transportation purposes and its ability to keep pace with inflation. MVET is also considered to be a more progressive tax in that it is tied to the value of the vehicle. The MVET was rolled back to \$30 as a result of passage of Initiative 695 in 1999 and subsequent action by the State Legislature.

- Increase Vehicle License Fees. The proposal would raise the Vehicle License Fee (VLF) from the \$20 per year fee allowed under current law to \$40. The increase could be enacted through a public vote or by councilmanic action through a local Transportation Benefit District (TBD). If a countywide TBD is enacted, the proposed distribution would follow the 65/35 formula, with 65% going to counties and 35% going to cities. The \$40 fee has the potential to generate \$273 million Statewide, though actual usage will vary by locality. If Bellevue were to enact a citywide TBD, the current \$20 VLF option would raise roughly \$2.2 million annually in Bellevue. The VLF is attractive as a user fee but is considered regressive in that everyone pays the same flat rate regardless of the value of their vehicle.
- Impose an Annual Electric Vehicle Fee: A \$200 annual fee would be imposed that would approximate an average fuel tax per vehicle of \$216.

NEXT STEPS: Staff is seeking Council comment and direction on the Draft Interest Statement and feedback regarding various revenue options currently under discussion.

ALTERNATIVES: NA

RECOMMENDATIONS: NA

ATTACHMENTS: (A) Draft State Transportation Revenue Package Interest Statement

DRAFT State Transportation Revenue Package Interest Statement

Reducing traffic congestion and improving mobility are critical to growing Bellevue's local and regional economic base. The City of Bellevue urges the State Legislature to address these problems in 2013 through a robust, State-enacted package of new revenue for transportation.

Highways and Local Roads

- **Complete the Projects in the I-405 Master Plan.** To address immediate needs, Bellevue urges the State Legislature to increase the State gas tax in an amount sufficient to make significant progress toward completing the I-405 Master Plan. Progress on expansion of I-405 from Bellevue to Renton, coupled with a commitment to explore the use of new federal Transportation Infrastructure Finance Innovation Act (TIFIA) funds to complete a major portion of the I-405/SR 167 expansion program is critical to the region's continued economic vitality.
- **Keep pace with new development.** Bellevue supports the use of State gas tax revenue to focus investment and leverage other public and private investments. For SR 520, Bellevue urges the Legislature to direct gas tax revenue to complete the interchange at 124th Avenue and SR 520 and to complete the southbound braided ramps at SR 520/I-405.
- **Commitment to provide revenue to address local transportation needs.** Bellevue supports an increase in the State gas tax, with a direct allocation to local governments in recognition of the critical role that local streets play in providing access to and from the State system, and carrying the bulk of traffic near State highways.
- **Smart financing.** To address long-term revenue needs, Bellevue urges the State to bond against the revenue from an increase in the State gas tax to generate cash up front and keep pace with inflation and rising construction costs. In addition, the State should continue to expand the use of design-build processes that help reduce construction costs, and continue to explore the use of public/private partnerships.
- **Tolling.** Bellevue supports the WSDOT's commitment to maximizing performance on the State's major corridors through the use of tolls. The City urges the State to continue to demonstrate cases where measurable improvement over current conditions on major corridors could be realized through the use of tolls. Improvements in the efficiency of the highway system would benefit all users and would help minimize traffic diversion to local streets as drivers seek to avoid congested corridors.
- **Increase the amount of the transportation benefit district vehicle license fee.** Bellevue urges the State Legislature to amend the Transportation Benefit District legislation to allow cities to increase the amount of the vehicle license fee from the current \$20 per year to \$40 per year and allow its enactment via councilmanic action.
- **Electric Vehicle Fee.** Bellevue urges the State Legislature to consider increasing the annual \$100 fee on electric vehicles to \$200 per year to more closely align with the amount of gas tax those vehicles would generate on an annual basis.

Local Transit

- **Use of the motor vehicle excise tax (MVET) for local transit.** In order to ensure Bellevue's transportation system is meeting local demands for service, transit service levels and coverage must keep pace with growth. If the State Legislature considers enacting an MVET for transit, it should include a requirement that the local transit agency demonstrate that the new revenue will be directed to support urban centers, like Bellevue, and will improve connections within and between urban centers and other major transit markets. Over time, it may be desirable to dedicate MVET revenues to local transit to replace some or all of the local sales tax dedicated to transit uses.